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SUBJECT: TURKMENISTAN'S MINISTRY OF ECONOMY AND FINANCE WELCOMES
USAID ASSISTANCE TO IMPROVE INVESTMENT CLIMATE

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11. (U) Sensitive but unclassified. Not for public Internet.

SUMMARY

12. (SBU) In a July 23 meeting at Turkmenistan's Ministry of Economy and Finance (MOEF), USAID Deputy Assistant Administrator Drew Luten and his economic growth delegation met with MOEF First Deputy Minister Tuwakmammet Japarov. While Minister Hojamyrat Geldimyradov, with whom the delegation was scheduled to meet, failed to show due to his "heavy workload," the two sides engaged in substantive conversation on introducing and attracting U.S. private-sector investment to Turkmenistan. Luten said government and business would need to understand the other's interests and requirements to further cooperation on improving international finance, investment, agriculture, and rural development in Turkmenistan. To this end, the delegation introduced the idea of an investors' "roadmap" to help Turkmenistan and foreign businesses maximize opportunities. Japarov expressed particular interest in this, and posed several questions about the details of such a project. He also seemed eager about business training in the United States for Turkmenistani managers. While the deputy minister welcomed USAID assistance in rural development, he said help would only possibly be solicited after his government had approved the comprehensive development plan. He also requested that Turkmenistan's various donors, including USAID, better coordinate their activities, and that all projects still be conveyed through diplomatic channels to the Ministry of Foreign Affairs. END SUMMARY.

TRADE AND INVESTMENT: HOW CAN WE COOPERATE?

13. (SBU) In the absence of Minister of Economy and Finance Hojamyrat Geldimyradov, USAID Deputy Assistant Administrator Drew Luten asked First Deputy Minister Tuwakmammet Japarov how the United States and Turkmenistan could further cooperate to improve Turkmenistan's economy, particularly in areas in which President Gurbanguly Berdimuhamedov has expressed interest: international finance, investment, agriculture, and rural development. U.S. and other international companies would "want to understand what the opportunities are in a country and what is required to make investment and do business," Luten said. Likewise, Turkmenistan would want to understand what international businesses are interested in.

14. (SBU) Japarov responded that investment and trade were the new government's two main priorities. He recognized there will be interest in investing in Turkmenistan. MOEF welcomed USAID's assistance, but noted that the two countries will first need to agree on a legal framework for cooperation, particularly on the issues of investment protection and double taxation. (NOTE: This is Japarov's second recent request for help on double taxation. END NOTE.) Additionally, MOEF wants the U.S. assessment of Turkmenistan's internal regulatory mechanisms and related issues.

BUSINESS TRAINING IN UNITED STATES A "VERY GOOD PROPOSAL"

15. (SBU) Danica Starks of the U.S. Department of Commerce offered three areas in which the United States and Turkmenistan might work to improve the economy and the investment climate. First, the countries could explore opportunities for U.S. companies to sell equipment or invest in Turkmenistan. Second, they could organize events for Turkmenistani officials to meet with various U.S. businesses. Third, the U.S. government could bring Turkmenistani

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managers to the United States for business training programs in areas such as water systems and energy management, food processing and packaging, hospital administration, and road construction. Japarov expressed his gratitude in particular for the offer for business training, calling it a "very good proposal," and recommended it be sent through diplomatic channels. Management training in general and specifically in property is important and will be useful, Japarov observed, and he offered MOEF's assistance in recruiting "appropriate candidates."

UNITED STATES: CLEAR PICTURE NEEDED OF WHAT MUST BE DONE

16. (SBU) Michael Boyd, USAID/CAR senior economist with the delegation, complimented Turkmenistan on recent progress made in presenting itself to the U.S. business community. But Turkmenistan still needs a "roadmap" to provide a "clear picture" of what must be done to improve the investment climate and make strides in relation to international standards. The roadmap would include information on issues such as employment procedures, visa requirements, permits, site development, and environmental regulations. This document would eventually help businesses but would initially deepen Government of Turkmenistan understanding "the good things and also the barriers along the way to realizing investment." Competitiveness was also raised.

ROADMAP COMPONENTS "TOTALLY" IN MINISTRY'S HANDS

17. (SBU) Japarov liked the idea of a roadmap and asked what actions MOEF would need to take to create it. Would it be a project, and what would be its duration, he asked. Japarov saw the roadmap as a tool to introduce new investment to Turkmenistan and to provide recommendations for improving investment. MOEF would always be happy to host U.S. specialists and experts on this. There are no doubt a number of components to such a task, he observed, and they "are totally in the hands of my ministry."

18. (SBU) Japarov continued conversation with Luten on the topic after the meeting, requesting that USAID send further materials or

proposals to MOEF by diplomatic channels via the Ministry of Foreign Affairs. Although MOEF registered all international projects, investments, and other grants, MOEF had to work through the Ministry of Foreign Affairs, which decided how to allocate assistance among Turkmenistan's various ministries. Luten said he hoped USAID and MOEF would get to the point where direct communication was possible.

THE WORD IN ENGLISH IS "WOW": TURKMENISTAN'S RURAL DEVELOPMENT PLAN

¶9. (SBU) Asked to discuss Turkmenistan's rural development plan, Japarov said education, culture, and tourism are the three main areas marked for improvement. Other issues included bringing modern medical services, water, gas, sewage, and irrigation to rural areas. Japarov stated that Turkmenistan inherited a situation from the former Soviet Union in which rural and urban areas did not develop at the same pace. "After 15 years, Turkmenistan has acquired enough strength to bring up the rural level." Doing so would help avoid a problem of over-urbanization.

¶10. (SBU) The deputy minister said the rural development plan was slated for implementation beginning in January 2008 and running through 2020. He could not yet say where or if USAID might be able to assist. MOEF had thought of contacting international organizations to help develop this comprehensive plan, but decided to go it alone with other Turkmenistani ministries because of the

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president's short deadline. MOEF will approach the donor community outside the country's borders only after the government approves the plan. The government had allocated money for the project in its budget, but expected some funding ultimately to come from businesses, grants, and possibly loans.

¶11. (SBU) "The word in English is 'wow,'" exclaimed Luten, upon hearing Turkmenistan's plan and its enormity. Rural development is important work that should be viewed as a process rather than simply a plan to be implemented. USAID is ready and willing to discuss possible cooperation as soon as the Government of Turkmenistan is ready. For instance, USAID has helped Kazakhstan and Azerbaijan with budget management for public projects and could provide similar expertise in Turkmenistan.

INTERNATIONAL DONORS GOOD, COORDINATED DONORS EVEN BETTER

¶12. (SBU) Japarov stated that international donors undoubtedly had great interest in providing technical assistance to Turkmenistan. He hoped, however, to see more coordination among the donors, with one common objective to be reached. Luten said MOEF would need to further develop its capacity to deal with many groups, but he and USAID would continue to be sensitive to the fact that various parties wanted to talk with the Government of Turkmenistan. Delegation members also said they hoped that recent discussions with other donors in Washington would improve coordination and promised to continue seeking better coordination.

COMMENT

¶13. (SBU) Japarov and his colleagues in attendance were articulate, highly competent, and willing to explore cooperation on many fronts. Japarov's openness to USAID's assistance -- specifically in developing an investors' roadmap and providing business training in the United States for Turkmenistani managers -- suggests a broader wish on MOEF's part to move from delegation meetings to concrete steps. There seems to be a window to move forward on both proposals. Next step: MOEF agreed USAID should provide information on the investor road-mapping exercise and suggestions on how to move forward.

¶14. (SBU) Despite such openness, MOEF's reluctance to engage directly with USAID and other international donors demonstrates post's difficulties in promoting a "direct contact" policy. This could seriously hinder USAID efforts to cooperate with MOEF, including in areas MOEF itself expressed sincere interest, especially in the area of rural development, where Turkmenistan is thus far taking on an enormous project by itself. We will continue

to press MFA to streamline Turkmenistan's bureaucracy for handling international cooperation and assistance. END COMMENT.

115. (U) DAA Luten has cleared this cable.

HOAGLAND